TWC Trends Summer Edition 2022

Online grocery

How will online settle following the covid boom? What about convenience store delivery? Where does Amazon fit in?

August 2022

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- This report is part of the TWC Trends Summer 2022 series, conducted by TWC – the data and insight experts for UK wholesale, convenience retail and hospitality.

- A nationally robust and representative sample of 1,000 UK consumers were interviewed online between 14-18 June 2022.

- This section of the study focuses on **'Online grocery'.**

- Should you wish to receive further (free) reports from the TWC Trends Summer 2022 series, please contact kim@twcgroup.net or visit our website .

The on-demand grocery market continues to evolve, offering new routes to market & partnership opportunities

Bricks & mortar retailers move into delivery

Apps enabling convenience retailers to offer delivery

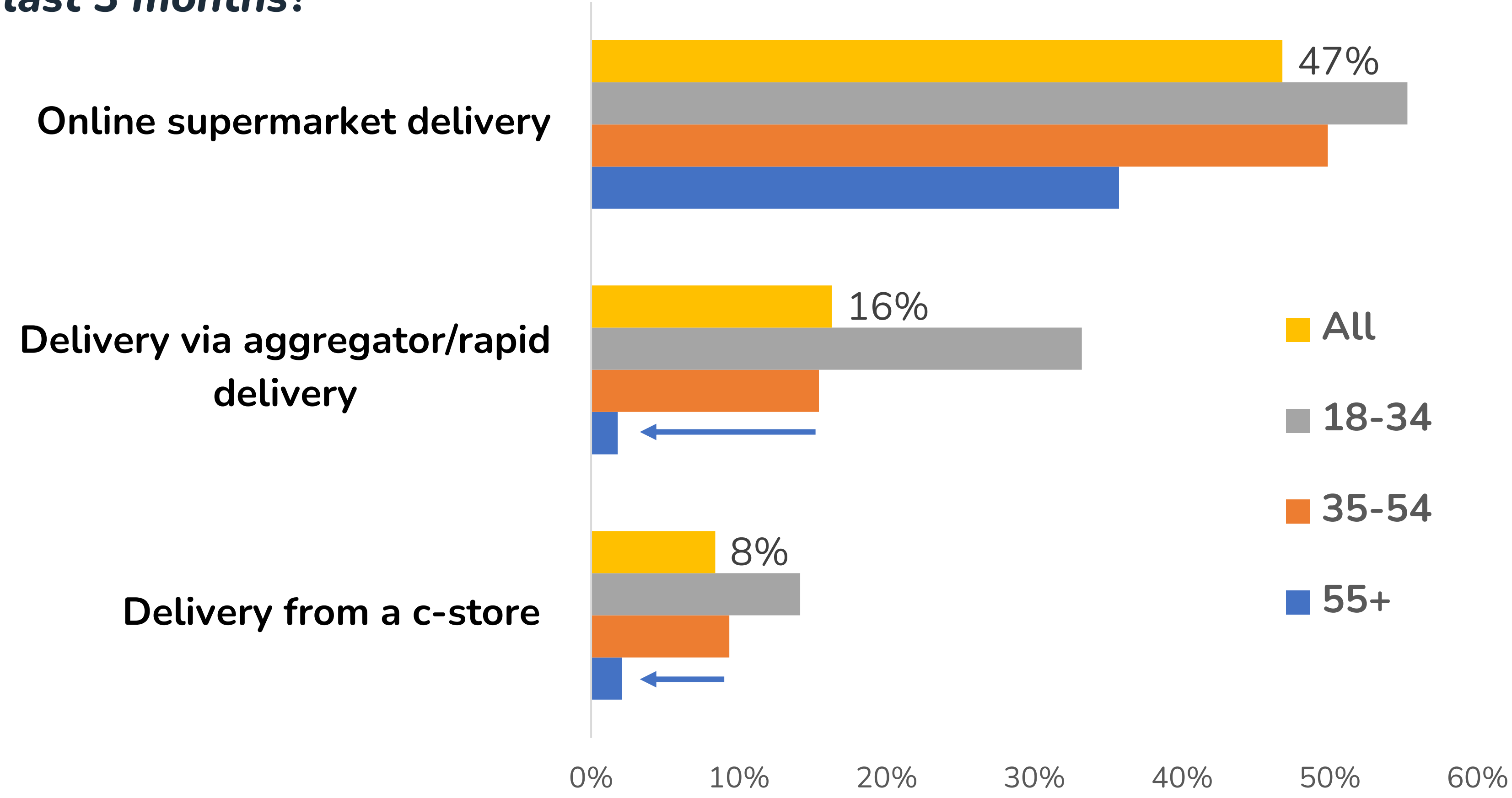
Partnerships

Foodservice delivery operators also offering groceries

Tech start-ups entering grocery delivery offering super rapid delivery

However, convenience delivery services are currently mostly being used by younger consumers

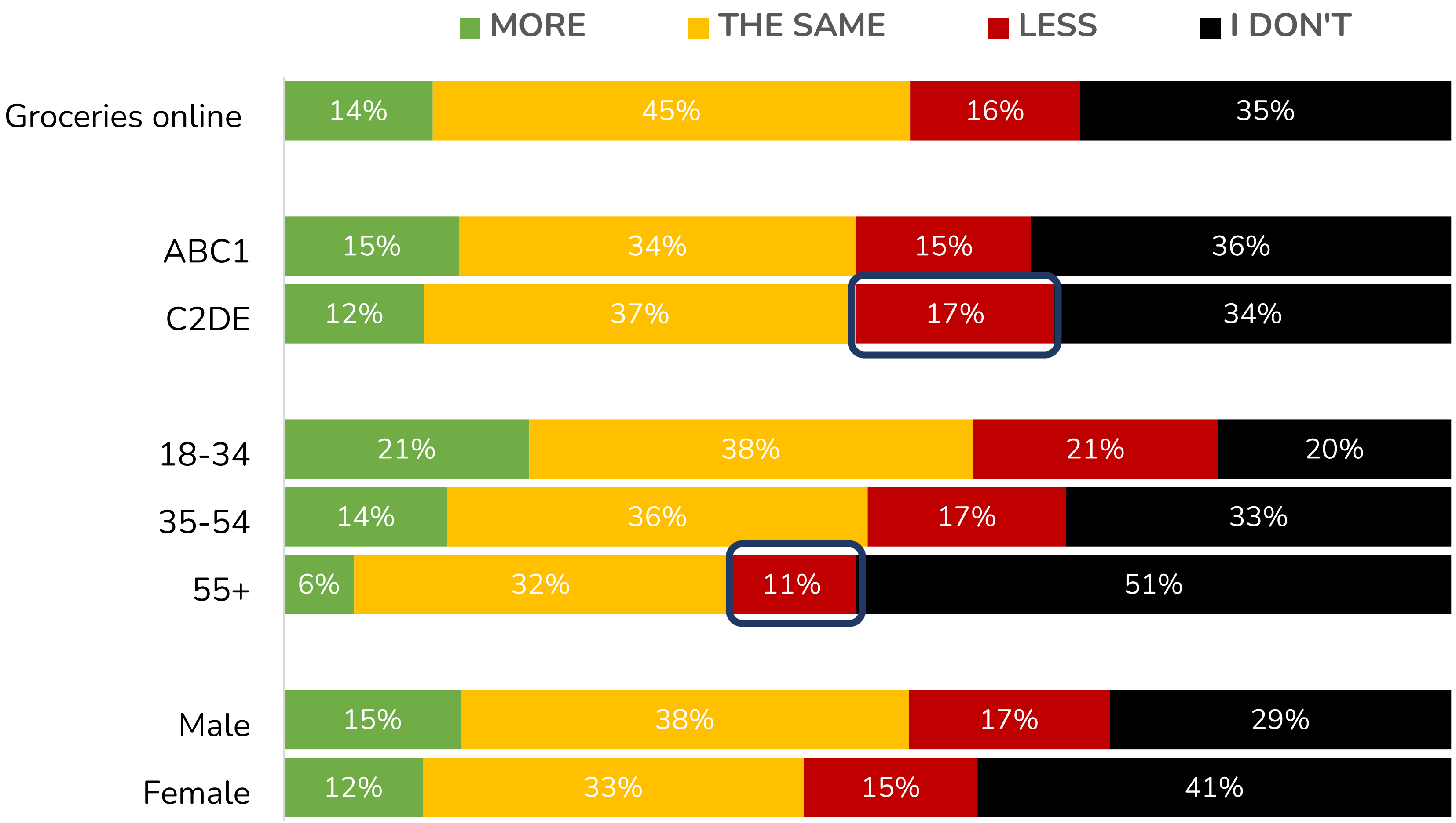
"Have you bought groceries from any of the following in the last 3 months?"



Delivery from c-stores (whether direct or via an aggregator such as Deliveroo, or a dark store rapid delivery operator such as Gorillas) is largely being used by younger consumers, whereas online supermarket deliveries have mass appeal, including a high proportion of over 55's.

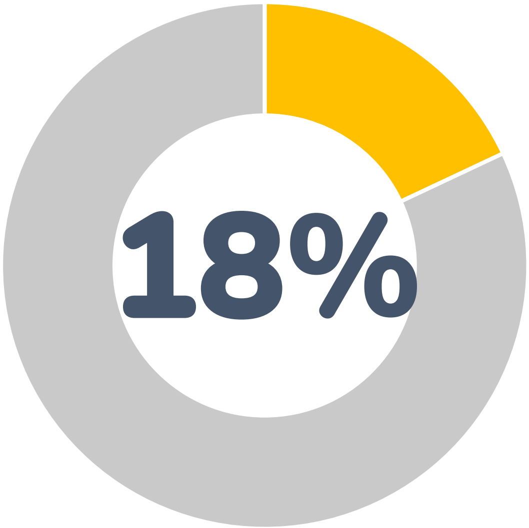
Online grocery appears to be slowing; and a third of consumers remain unconverted

"When it comes to grocery shopping, have you changed where you shop vs. 6 months ago?"

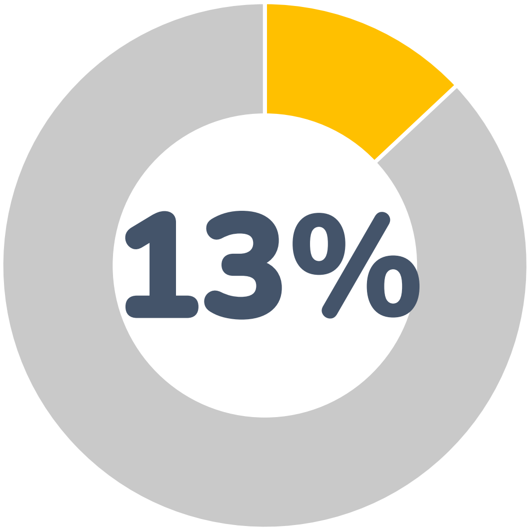


Whilst most consumers say they are using online grocery about the same as 6 months ago, 16% are using it less vs. 14% using it more, so the net effect is slightly less. The biggest differences are those aged 55+ and C2DE's, suggesting these groups are most likely to be reverting to in store shopping.

There seems to be little loyalty in online grocery, despite retailer tactics such as fixed delivery fees and discounts

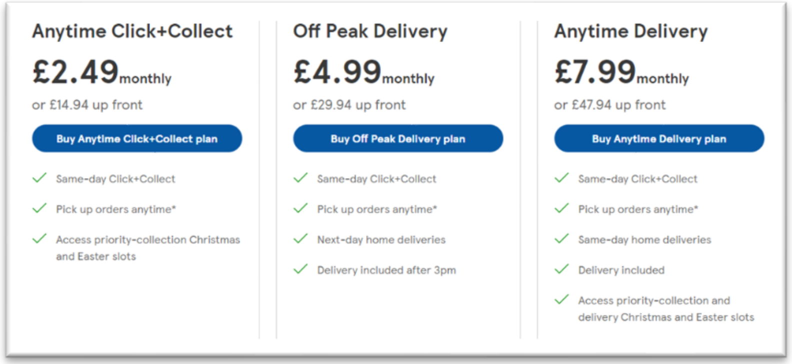


Use the same retailer each time



Use an online delivery subscription

TESCO Delivery Saver



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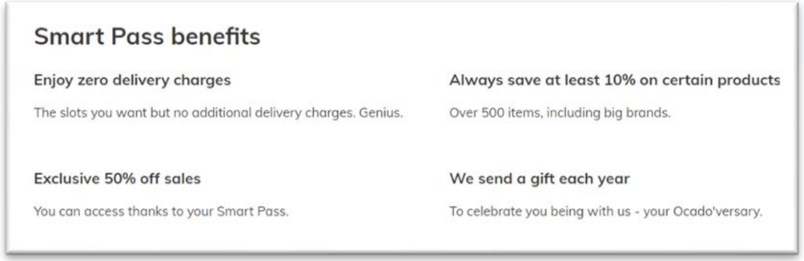
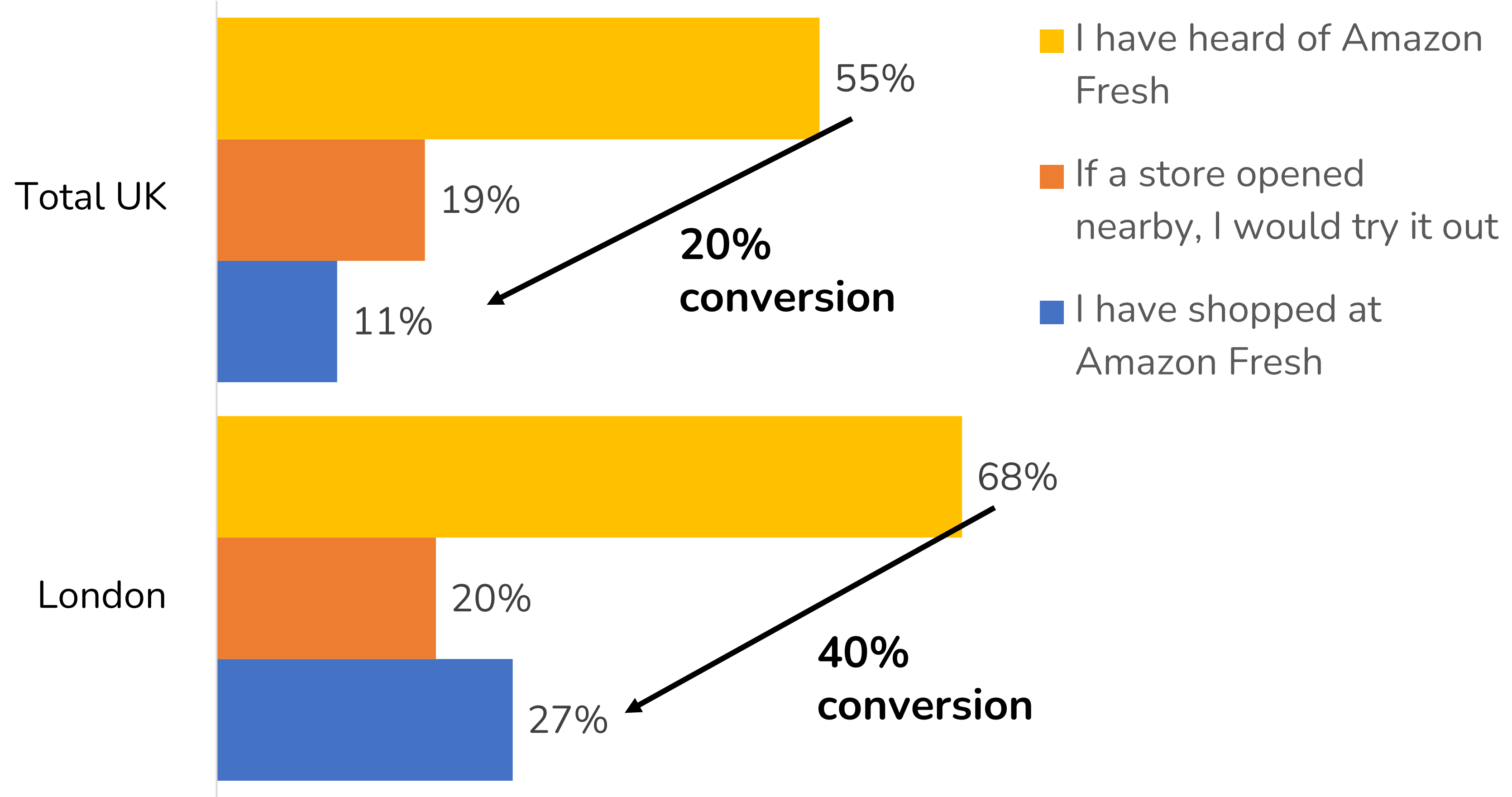


1 in 5 of those who have heard of Amazon Fresh have shopped in one and 1 in 5 would try it if a store opened nearby



Nationally, conversion from awareness of Amazon Fresh to having shopped there is 20% or 1 in 5. In London it is 40%, reflecting the greater concentration of stores in the capital.

Around 1 in 5 shoppers are interested in trying out an Amazon Fresh store if one were to open near them.

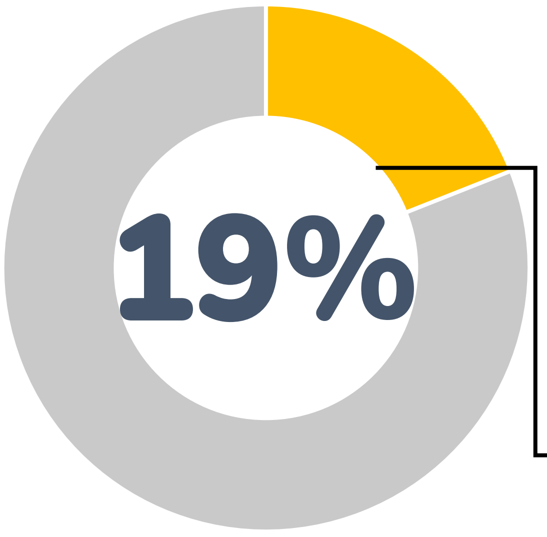
Amazon is demonstrating its bold ambitions for the UK grocery sector

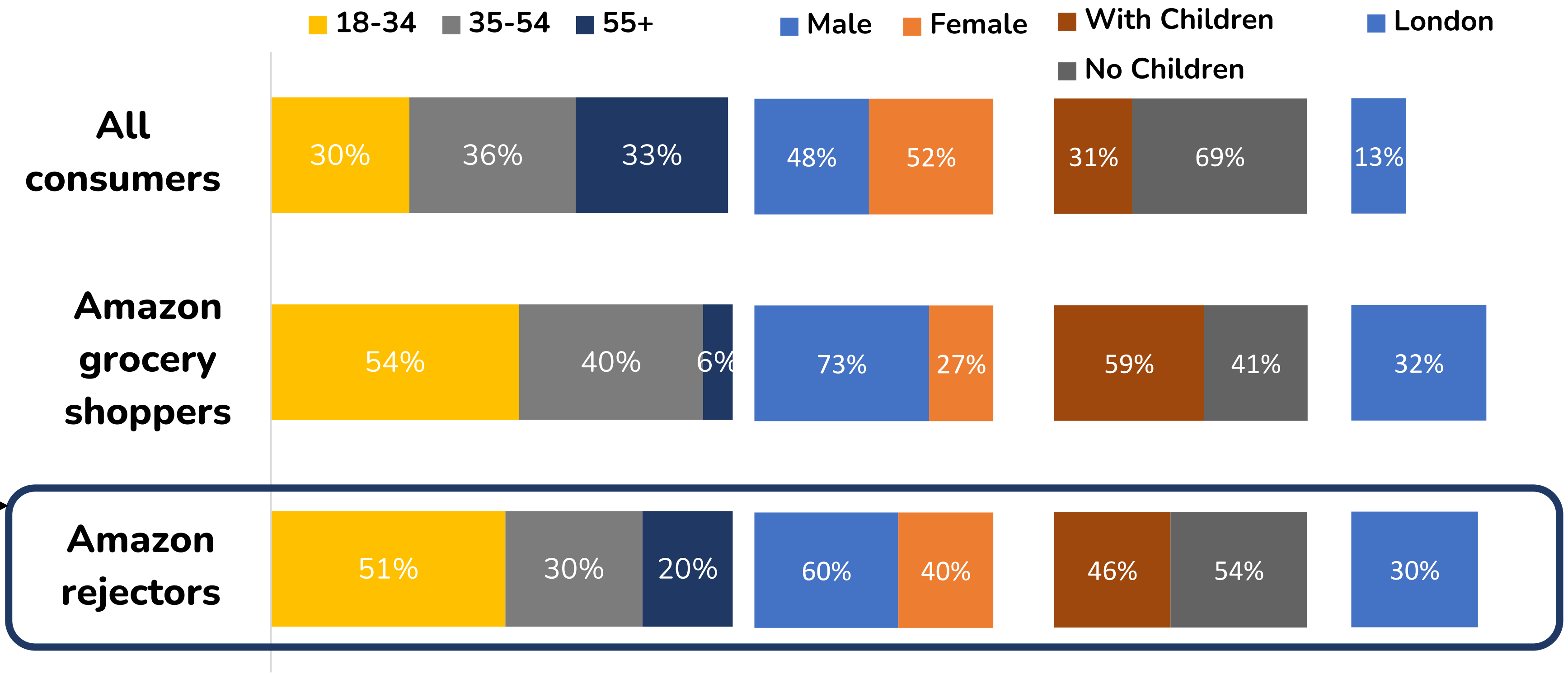
19 **Amazon Fresh stores**

UK grocery sales of

>£1bn

A watchout: 1 in 5 consumers actively avoid buying from Amazon





"I actively avoid buying from Amazon"

Around 1 in 5 consumers actively avoid using Amazon. Interestingly, these 'rejectors' are similar in demographic profile to Amazon shoppers – they are younger, more likely to be male and more likely to have children in the household. This suggests Amazon has something of 'marmite' appeal amongst this core group.

TWC thoughts

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- Online grocery appears to be plateauing following a significant boom through the pandemic when the convenience of home delivery aligned to consumers having to isolate and being more home-based. The absence of a significant offer from the grocery discounters is likely to be a factor given consumers' current focus on value.
- There has been considerable evolution in the on-demand grocery delivery market, offering new routes to market and partnership opportunities. However, to date uptake is fairly limited and there is an increasing question around the profitability and therefore viability of many of these services. The lack of loyalty in the channel offers opportunity but huge challenges to operators.
- Amazon has bold ambitions for UK grocery, most recently taking on Tesco in a price match initiative; as well as a generous instore discount over Prime Day. How can smaller operators and particularly independents hope to compete with this level of discounting? A not insignificant group of Amazon 'rejectors' might offer hope to those offering a more personal, local experience.